

Message Text

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ACTION PM-04

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TO SECDEF WASHDC IMMEDIATE
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DSAA WASHDC
INFO SECSTATE WASHDC 8656

C O N F I D E N T I A L BRUSSELS 12522

PERSONAL FOR GEN FISH, GEN HUYSER AND COL PRESTON

FROM ODC, COL LAWRENCE

E.O.11652: GDS
TAGS: MASS, BE, US
SUBJECT: PAYMENT SCHEDULE F-16

REF: TELECON COL LAWRENCE TO COL PRESTON, 16 DEC 76.

1. HAD A SECOND CONVERSATION WITH GENERAL DEDEURWAERDER,
BAF THIS A.M. TWO MAJOR ISSUES WERE AGAIN RAISED REF F-16
LOA. THIS MSG COVERS POINTS MADE BY GEN DEDEURWAERDER.
CURRENT AND PLANNED BAF BUDGET AND DEFENSE BUDGET CONTAIN
SUFFICIENT FUNDS TO MEET TOTAL PROJECTED COST OF F-16 IN
THEN YEAR DOLLARS NOW ESTIMATED AT APPROX 1.2 BILLION U.S.
DOLLARS. NEITHER BUDGET ABLE TO MEET LATEST PROPOSED PAYMENT
WCHEDULED WHICH REQUIRES 800 MILLION PLUS PAYMENTS BY END
1980. SHORT FALL ESTIMATED TO BE AROUND 350 TO 400 MILLION.
CONSEQUENTLY, MINOR ADJUSTMENTS TO PAYMENT SCHEDULE WOULD
NOT COVER SHORTFALL.

2. GEN DEDEURWAERDER IS CONVINCED THAT MOD CANNOT AND WILL
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NOT SIGN LOA IF PAYMENT SCHEDULE IS FRONT LOADED AS NOW
PROPOSED. ENTIRE F-16 PROGRAM WAS ACCEPTED BY MOD AND
GOB WITH UNDERSTANDING PROGRAM COULD BE FUNDED WITHIN 10
YEAR PROJECTED DEFENSE BUDGET ALLOWING FOR A MAXIMUM OF 4 PERCENT
REAL GROWTH IN DEFENSE SPENDING EACH YEAR.

3. NO INTERNAL ADJUSTMENTS POSSIBLE WITHIN BAF CAPITAL EXPENDITURE BUDGET, AS F-16 PROGRAM ALREADY ABSORBING 90 PERCENT OF FUNDS. THERE ARE NO MAJOR BAF PROGRAMS THAT CAN BE RESCHEDULED TO MAKE UP SHORTFALL.

4. MOD HAS GONE AS FAR OUT ON POLITICAL LIMB AS HE CAN TO SUPPORT F-16 PROGRAM, ANY MAJOR CHANGES TO DEFENSE BUDGET OR REQUESTS FOR ADDITIONAL FUNDS BEYOND THOSE PLANNED COULD NOT BE SUPPORTED POLITICALLY BY MOD. FYI: CURRENT BELGIAN GOVT HOLDING TOGETHER BY A THIN THREAD. END FYI.

5. ALL PRECEDING PARAGRAPHS ON PAYMENT DISCUSSIONS BASED ON PAYMENT SCHEDULE WITHOUT PREPAYMENT OF TERMINATION LIABILITY COST. GEN DEDEURWAERDER STRONGLY OPPOSES NEED FOR FUNDING TERMINATION LIABILITY. HE STATED THAT GOB HAS SIGNED A WRITTEN COMMITMENT TO THE PROGRAM WITH THE USG AND IS A RESPONSIBLE PARTNER WITH MAJOR F-16 CONTRACTS IN BELGIUM. THE NEED FOR TERMINATION LIABILITY PAYMENT GOES BEYOND THE SPIRIT OF THE PARTNERSHIP AND REFLECTS UNFAVORABLY ON FINANCIAL REPUTATION OF GOB. IF THEY TERMINATE THEY EXPECT TO PAY THE COST.

6. IN CLOSING, GEN DEDEURWAERDER REMARKED THAT EVEN IF BAF COULD FUND PROPOSED PAYMENT SCHEDULE, HE WOULD OBJECT ON GROUNDS THAT SCHEDULE APPEARS TO BE EXCESSIVELY FRONT LOADED AND WITHOUT FULL EXPLANATION AND UNDERSTANDING COULD NOT SUPPORT SUCH A PAYMENT SCHEDULE.

7. GEN DEDEURWAERDER RECOGNIZES THAT THESE ARE NOT NEW ISSUES OR ONES WHICH HAVE NOT BEEN RAISED IN THE STEERING COMMITTEE;
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NEVERTHELESS, HE WANTED TO EMPHASIZE AND DISCUSS HIS CONCERNS WITH THIS OFFICE.

8. GEN DEDEURWAERDER PLANNING ANOTHER MEETING WITH ME AFTER HE RECEIVES NEW DRAFT LOA TO DISCUSS ISSUE IN DEPTH. RENNER

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